

# Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Vermontville Township	County	EATON	Type	TOWNSHIP	MuniCode	23-1-140
Opinion Date-Use Calendar	Jun 25, 2008	Audit Submitted-Use Calendar	Aug 6, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 208,787.00
General Fund Expenditure:	\$ 173,691.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 277,884.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Katherine K	Last Name	Sheldon	Ten Digit License Number	1101023575		
CPA Street Address	525 W Apple St	City	Hastings	State	MI	Zip Code	49058
CPA Firm Name	Walker, Fluke & Sheldon, PLLC	Unit's Street Address	PO Box 215	City	Vermontville	LU Zip	49096

**VERMONTVILLE TOWNSHIP**  
**FINANCIAL STATEMENTS**  
For the year ended March 31, 2008

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**INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Vermontville Township  
Eaton County, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vermontville Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Vermontville Township, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Vermontville Township, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Vermontville Township's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Vermontville Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
June 25, 2008

*Walker, Fluke & Sheldon, PLC*

**VERMONTVILLE TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**March 31, 2008**

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**Primary Government**

<b><u>ASSETS</u></b>	<b><u>Governmental</u></b>	
	<b><u>Activities</u></b>	<b><u>Total</u></b>
Cash and Cash Equivalents	\$ 6,726	\$ 6,726
Investments	173,269	173,269
Receivables (Net)		
Taxes	10,895	10,895
Due From State	14,086	14,086
Due From Other Funds	123,550	123,550
Restricted Assets	195,422	195,422
Capital Assets (Net of Accumulated Depreciation)	<u>477,811</u>	<u>477,811</u>
 Total Assets	 <u>1,001,759</u>	 <u>1,001,759</u>
 <b><u>LIABILITIES</u></b>		
Accounts Payable	-	-
Other Accrued Liabilities	300	300
Due to Other Funds	<u>33,483</u>	<u>33,483</u>
 Total Liabilities	 <u>33,783</u>	 <u>33,783</u>
 <b><u>NET ASSETS</u></b>		
Net Assets		
Invested in Capital Assets, Net of Related Debt	477,811	477,811
Reserved for Library	126,895	126,895
Reserved for Fire	68,527	68,527
Unrestricted	<u>294,743</u>	<u>294,743</u>
 Total Net Assets	 <u>\$ 967,976</u>	 <u>\$ 967,976</u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**March 31, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Total
<b>Primary Government</b>						
Governmental Activities						
Legislative	\$ 11,863	\$ -	\$ -	\$ -	\$ (11,863)	\$ (11,863)
General Government	65,248	1,675	-	-	(63,573)	(63,573)
Public Safety	72,111	21,311	-	121,500	70,700	70,700
Public Works	29,325	-	-	-	(29,325)	(29,325)
Health and Welfare	53,026	45,404	-	-	(7,622)	(7,622)
Recreation and Cultural	66,500	25,659	2,490	-	(38,351)	(38,351)
Other	17,856	-	-	-	(17,856)	(17,856)
Total Governmental Activities	<u>315,929</u>	<u>94,049</u>	<u>2,490</u>	<u>121,500</u>	<u>(97,890)</u>	<u>(97,890)</u>
Total Primary Government	<u>\$ 315,929</u>	<u>\$ 94,049</u>	<u>\$ 2,490</u>	<u>\$ 121,500</u>	<u>(97,890)</u>	<u>(97,890)</u>
General Revenues						
Taxes and Penalties					128,154	128,154
State Grants					98,235	98,235
Interest and Rentals					14,667	14,667
Other Revenue					<u>12,136</u>	<u>12,136</u>
Total General Revenue					<u>253,192</u>	<u>253,192</u>
Loss from Disposal of Capital Assets					<u>(2,657)</u>	<u>(2,657)</u>
Change in Net Assets					152,645	152,645
Net Assets-Beginning					<u>815,331</u>	<u>815,331</u>
Net Assets-Ending					<u>\$ 967,976</u>	<u>\$ 967,976</u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**March 31, 2008**

				Total
		Fire	Library	Governmental
<b>ASSETS</b>	<b>General</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
Cash and Cash Equivalents	\$ 6,726	\$ 33,157	\$ 27,864	\$ 67,747
Investments	173,269	93,738	40,663	307,670
Receivables (Net)				
Taxes	4,365	3,732	2,798	10,895
Due From State	14,086	-	-	14,086
Due From Other Funds	83,803	39,747	-	123,550
Total Assets	<u>\$ 282,249</u>	<u>\$ 170,374</u>	<u>\$ 71,325</u>	<u>\$ 523,948</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Other Accrued Liabilities	-	-	300	300
Deferred Revenue	4,365	3,732	2,798	10,895
Due to Other Funds	-	33,483	-	33,483
Total Liabilities	<u>4,365</u>	<u>37,215</u>	<u>3,098</u>	<u>44,678</u>
Fund Balances				
Unreserved-Undesignated	236,689	133,159	68,227	438,075
Reserved	-	-	-	-
Designated	41,195	-	-	41,195
Total Fund Balances	<u>277,884</u>	<u>133,159</u>	<u>68,227</u>	<u>479,270</u>
Total Liabilities and Fund Balance	<u>\$ 282,249</u>	<u>\$ 170,374</u>	<u>\$ 71,325</u>	<u>\$ 523,948</u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**March 31, 2008**

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<b>Governmental Fund Balance - March 31, 2008</b>		<b>\$ 479,270</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 952,680	
Less: Accumulated depreciation	<u>(474,869)</u>	477,811
Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities		
		<u>10,895</u>
<b>Net Assets of Governmental Activities</b>		<b><u>\$ 967,976</u></b>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended March 31, 2008**

	<u>General</u>	<u>Fire Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes and Penalties	\$ 51,748	\$ 43,291	\$ 32,462	\$ 127,501
Federal Grants	-	121,500	-	121,500
State Grants	93,127	-	5,108	98,235
Contributions from Local Units	-	-	2,125	2,125
Fines and Forfeits	-	-	23,375	23,375
Charges for Services	45,874	20,841	420	67,135
Interest and Rentals	8,853	5,324	4,029	18,206
Other Revenue	9,185	44	3,272	12,501
<b>Total Revenues</b>	<u>208,787</u>	<u>191,000</u>	<u>70,791</u>	<u>470,578</u>
<b>Expenditures</b>				
Legislative	11,863	-	-	11,863
General Government	58,157	-	-	58,157
Public Safety	843	39,801	-	40,644
Public Works	29,325	-	-	29,325
Health and Welfare	50,669	-	-	50,669
Recreation and Cultural	-	-	63,418	63,418
Other	17,856	-	-	17,856
Capital Outlay	4,978	165,057	6,358	176,393
<b>Total Expenditures</b>	<u>173,691</u>	<u>204,858</u>	<u>69,776</u>	<u>448,325</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>35,096</u>	<u>(13,858)</u>	<u>1,015</u>	<u>22,253</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Disposal of Capital Assets	-	-	50	50
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>35,096</u>	<u>(13,858)</u>	<u>1,065</u>	<u>22,303</u>
<b>Fund Balance-April 1, 2007</b>	<u>242,788</u>	<u>147,017</u>	<u>67,162</u>	<u>456,967</u>
<b>Fund Balance-March 31, 2008</b>	<u>\$ 277,884</u>	<u>\$ 133,159</u>	<u>\$ 68,227</u>	<u>\$ 479,270</u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**March 31, 2008**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 22,303</b>
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		653
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives		
Expenditures for capital assets	\$ 176,393	
Less: Current year depreciation	43,997	
Less: Proceeds from Disposal of Capital Assets	50	
Less: Loss from Disposal of Capital Assets	<u>2,657</u>	<u>129,689</u>
Change in Net Assets of Governmental Activities		<u><b>\$ 152,645</b></u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**FIDUCIARY FUNDS STATEMENT OF NET ASSETS**  
**March 31, 2008**

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<u><b>ASSETS</b></u>	<u><b>Pension Trust</b></u>	<u><b>Current Tax Collection</b></u>
Cash	\$ -	\$ 101,629
Investments-at Fair Value:		
Other Investments	<u>53,301</u>	<u>-</u>
Total Assets	<u>53,301</u>	<u>101,629</u>
<u><b>LIABILITIES</b></u>		
Due to Other Funds	-	90,067
Due to Other Units of Government	<u>-</u>	<u>11,562</u>
Total Liabilities	<u>-</u>	<u>101,629</u>
<u><b>NET ASSETS</b></u>		
Held in Trust for Pension Benefits	<u>\$ 53,301</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS**  
**For the Year Ended March 31, 2008**

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	<u>Pension Trust</u>
<b>Additions</b>	
Contributions	
Employer	<u>\$     6,758</u>
Total Contributions	6,758
Investment Income	
Interest and Dividends	<u>948</u>
Total Additions	<u>7,706</u>
<b>Deductions</b>	
Employee Withdrawals and Transfers	2,903
Charges	<u>-</u>
Total Deductions	<u>2,903</u>
Change in Net Assets	4,803
Net Assets-Beginning	<u>48,498</u>
Net Assets-Ending	<u>\$     53,301</u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Vermontville Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Vermontville Township:

**REPORTING ENTITY**

Vermontville Township is situated in at the western edge of Eaton County and encompasses the Village of Vermontville. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, ambulance services, library and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

**Taxes Receivable** - The Township property tax is levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county delinquent tax rolls.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**  
(Continued)

Taxes Receivable (Continued) - Although the Township ad valorem tax is levied and collectible on February 1<sup>st</sup>, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 State taxable valuation of the Township totaled \$46,587,100 on which ad valorem taxes levied consisted of .8420 mills for Township operating purposes, .9334 mills for the Township's fire department and .6998 mills for the Library, raising \$39,220 for operating purposes, \$43,480 for the fire department and \$32,600 for the library.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Fire Fund accounts for the Township's fire services. Revenues are primarily derived from property taxes and fire runs.
- The Library Fund accounts for the Township's support of Vermontville Public Library. Revenues are primarily derived from property taxes.

Additionally, the government reports the following fiduciary fund types:

- The Pension Trust Fund accounts for the activities of the retirement system, which accumulates resources for pension benefit payments to qualified employees.
- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The tax collection fund is the Township's only Trust and Agency Fund.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Township are purchased by Eaton County. The County sells tax notes and the proceeds are used to pay the Township for these property taxes. These taxes have been recorded as deferred revenue for the current year since they are not available to fund expenditures of the current period.

Restricted Assets - The Township has restricted assets for library and fire services. By restricting a portion of the net assets for a specific purpose, the Township has limited the use of the funds for that specific purpose only. The Township Board cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than the library or for fire service.

**VERMONTVILLE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2008**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>General Assets</u>	
Buildings	40 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	5 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The township currently has no long-term obligations.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Designated Fund Balances - The Township has designated fund balances for the opera house and ambulance. By designating a portion of fund balance for a specific purpose, the Township Board has established a policy that the amounts designated are to be used for a specific purpose. The Township Board can change the amounts so designated if they desire.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. The Township Boards prepares the annual budgets prior to March 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**VERMONTVILLE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2008**

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**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General			
Legislative	\$ 11,114	\$ 11,863	\$ 749
General Government:			
Assessor	\$ 9,518	\$ 16,359	\$ 6,841
Clerk	\$ 11,838	\$ 12,382	\$ 544
Board of Review	\$ 981	\$ 1,363	\$ 382
Library:			
Recreation and Cultural	\$ 58,016	\$ 69,776	\$ 11,760

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Vermontville Township

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated two banks for the deposit of Vermontville Township funds.

The Township retirement system's investments are held in trust by the investment fiduciary, Certified Pension Services. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Township's deposits and investments are in accordance with statutory authority.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008**

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**DEPOSITS AND INVESTMENTS (Continued)**

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>FIDUCIARY FUNDS</u></b>	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>
Cash and Cash Equivalents	\$ 6,726	\$ 101,629	\$ 108,355
Investments	173,269	53,301	226,570
Restricted Assets	<u>195,422</u>	<u>-</u>	<u>195,422</u>
Total	<u>\$ 375,417</u>	<u>\$ 154,930</u>	<u>\$ 530,347</u>

The breakdown between deposits and investments is:

	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 477,046
Investment in Securities (Mutual Funds and Similar Vehicles)	53,301
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 530,347</u>

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, the Township has deposits with a carrying amount of \$477,046 and a bank balance of \$512,858. Of the bank balance, \$209,156 is covered by federal depository insurance and \$303,702 is uninsured and \$0 is collateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**VERMONTVILLE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2008**

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<b><u>BEGINNING BALANCE</u></b>	<b><u>INCREASES</u></b>	<b><u>DECREASES</u></b>	<b><u>ENDING BALANCE</u></b>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 18,627	\$ -	\$ -	\$ 18,627
Subtotal	<u>18,627</u>	<u>-</u>	<u>-</u>	<u>18,627</u>
Capital Assets Being Depreciated				
Buildings	93,459	4,117	-	97,576
Improvements	44,512	-	-	44,512
Furniture	18,958	-	1,910	17,048
Equipment	576,518	165,057	1,972	739,603
Data Processing Equipment	<u>38,106</u>	<u>7,219</u>	<u>10,011</u>	<u>35,314</u>
Subtotal	771,553	176,393	13,893	934,053
Less Accumulated Depreciation for				
Buildings	13,995	2,098	-	16,093
Improvements	21,286	1,891	-	23,177
Furniture	11,587	790	-	12,377
Equipment	366,996	36,580	1,124	402,452
Data Processing Equipment	<u>26,878</u>	<u>2,638</u>	<u>8,746</u>	<u>20,770</u>
Subtotal	<u>440,742</u>	<u>43,997</u>	<u>9,870</u>	<u>474,869</u>
Net Capital Assets Being Depreciated	<u>330,811</u>	<u>132,396</u>	<u>4,023</u>	<u>459,184</u>
Governmental Activities Total Capital Assets-Net of Depreciation	<u>\$ 349,438</u>	<u>\$ 132,396</u>	<u>\$ 4,023</u>	<u>\$ 477,811</u>

Depreciation expense was charged to programs of the Township as follows:

<b>Governmental Activities</b>	
General Government	\$ 7,091
Public Safety	31,467
Health and Welfare	2,357
Recreation and Cultural	<u>3,082</u>
Total Government Activities	<u>\$ 43,997</u>

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008**

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**INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances is as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ 83,803	Current Tax	\$ 90,067
Fire	<u>39,747</u>	Fire	<u>33,483</u>
	<u>\$ 123,550</u>		<u>\$ 123,550</u>

**RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township manages its risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Par Plan was established in April 1985, pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Par Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At March 31, 2008, there were no claims, which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2008**

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**DEFINED CONTRIBUTION PLAN**

The Township contributes to a defined contribution pension plan for its eligible employees. Certified Pension Services holds the participants' accounts in individual "guaranteed accounts".

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all elected officials of the Township. Contributions by the Township vest immediately. The Township contributes to the pension plan for the employees based on the following levels of compensation:

\$ 499.99	and	less	\$ 100.00
\$ 500.00	to	999.99	\$ 200.00
\$ 1,000.00	to	1,499.99	\$ 300.00
\$ 1,500.00	to	1,999.99	\$ 400.00

The contribution increases by \$100 for each additional compensation of \$499.99 or part thereof.

During the year, the Township's required and actual contributions amounted to \$6,758, which was 21.14% of its current-year covered payroll of \$31,971. The total fiscal year payroll was \$64,648. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**VERMONTVILLE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended March 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 242,788	\$ 242,788	\$ 242,788	\$ -
Resources (Inflows)				
Taxes and Penalties	50,300	50,300	51,748	1,448
State Grants	92,216	92,216	93,127	911
Charges for Services	40,000	40,000	45,874	5,874
Interest and Rentals	1,350	350	8,853	8,503
Other Revenue	<u>13,044</u>	<u>12,208</u>	<u>9,185</u>	<u>(3,023)</u>
Total Resources	<u>196,910</u>	<u>195,074</u>	<u>208,787</u>	<u>13,713</u>
Charges to Appropriations (Outflows)				
Legislative	11,102	11,114	11,863	(749)
General Government				
Supervisor	8,075	8,075	7,558	517
Elections	5,400	5,400	1,748	3,652
Assessor	9,718	9,518	16,359	(6,841)
Clerk	11,638	11,838	12,382	(544)
Board of Review	981	981	1,363	(382)
Treasurer	14,045	14,045	12,719	1,326
Township Hall	11,200	11,200	6,028	5,172
Public Safety				
Planning and Zoning	3,740	3,740	843	2,897
Public Works				
Highways	30,000	30,000	29,325	675
Health and Welfare				
Ambulance	66,154	64,567	50,669	13,898
Other				
Insurance, Bonds, Dues and Fringes	19,096	19,096	17,856	1,240
Capital Outlay	5,500	5,500	4,978	522
Debt Service				
Principal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>196,649</u>	<u>195,074</u>	<u>173,691</u>	<u>21,383</u>
Excess of Resources Over (Under) Appropriations	<u>261</u>	<u>-</u>	<u>35,096</u>	<u>35,096</u>
Budgetary Fund Balance - March 31, 2008	<u>\$ 243,049</u>	<u>\$ 242,788</u>	<u>\$ 277,884</u>	<u>\$ 35,096</u>

**VERMONTVILLE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - FIRE FUND**  
**For the Year Ended March 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 147,017	\$ 147,017	\$ 147,017	\$ -
Resources (Inflows)				
Taxes and Penalties	41,374	41,000	43,291	2,291
Federal Grants	278,000	121,500	121,500	-
Charges for Services	17,279	19,000	20,841	1,841
Interest and Rentals	-	-	5,324	5,324
Other	-	-	44	44
Total Resources	<u>336,653</u>	<u>181,500</u>	<u>191,000</u>	<u>9,500</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Wages and Fringes			7,309	
Supplies			3,453	
Professional Fees			963	
Telephone			1,000	
Insurance and Bonds			2,157	
Repairs, Maintenance and Fuel			16,052	
Uniforms			3,120	
Utilities			4,807	
Miscellaneous and Training			940	
Capital Outlay			<u>165,057</u>	
Total Charges to Appropriations	<u>340,847</u>	<u>215,859</u>	<u>204,858</u>	<u>11,001</u>
Excess of Resources Over (Under) Appropriations	<u>(4,194)</u>	<u>(34,359)</u>	<u>(13,858)</u>	<u>20,501</u>
Other Financing Sources (Uses)				
Operating Transfers In	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(4,194)</u>	<u>(4,359)</u>	<u>(13,858)</u>	<u>(9,499)</u>
Budgetary Fund Balance - March 31, 2008	<u>\$ 142,823</u>	<u>\$ 142,658</u>	<u>\$ 133,159</u>	<u>\$ (9,499)</u>

**VERMONTVILLE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND**  
**For the Year Ended March 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 67,162	\$ 67,162	\$ 67,162	\$ -
Resources (Inflows)				
Taxes and Penalties	31,016	31,016	32,462	1,446
State Grants	3,000	3,000	5,108	2,108
Contributions from Local Units	2,000	2,000	2,125	125
Fines and Forfeits	18,000	18,000	23,375	5,375
Charges for Services	400	400	420	20
Interest and Rentals	3,600	3,600	4,029	429
Other	<u>-</u>	<u>-</u>	<u>3,272</u>	<u>3,272</u>
Total Resources	<u>58,016</u>	<u>58,016</u>	<u>70,791</u>	<u>12,775</u>
Charges to Appropriations (Outflows)				
Recreation and Cultural:				
Wages and Fringes			36,648	
Training			1,384	
Books and Videos			11,202	
Supplies			6,441	
Telephone			1,196	
Contracted Services			1,574	
Insurance			1,242	
Professional Fees			582	
Special Programs			1,513	
Memberships			1,420	
Miscellaneous			216	
Capital Outlay			<u>6,358</u>	
Total Charges to Appropriations	<u>58,016</u>	<u>58,016</u>	<u>69,776</u>	<u>(11,760)</u>
Excess of Resources Over (Under) Appropriations	<u>-</u>	<u>-</u>	<u>1,015</u>	<u>1,015</u>
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>-</u>	<u>-</u>	<u>1,065</u>	<u>1,065</u>
Budgetary Fund Balance - March 31, 2008	<u>\$ 67,162</u>	<u>\$ 67,162</u>	<u>\$ 68,227</u>	<u>\$ 1,065</u>

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended March 31, 2008**

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Taxes and Penalties:				
Current Property Taxes			\$ 36,217	
Delinquent Property Taxes			4,115	
Collection Fees			<u>11,416</u>	
Total Taxes and Penalties	\$ 50,300	\$ 50,300	<u>51,748</u>	\$ 1,448
State Grants:				
State Revenue Sharing			89,642	
Other			<u>3,485</u>	
Total State Grants	92,216	92,216	<u>93,127</u>	911
Charges for Services:				
Ambulance Runs			45,404	
Zoning Fees			<u>470</u>	
Total Charges for Services	40,000	40,000	<u>45,874</u>	5,874
Interest and Rentals:				
Interest			7,178	
Rentals			<u>1,675</u>	
Total Interest and Rentals	1,350	350	<u>8,853</u>	8,503
Other Revenue:				
Refunds			6,360	
Metro Act			2,632	
Miscellaneous			<u>193</u>	
Total Other Revenue	<u>13,044</u>	<u>12,208</u>	<u>9,185</u>	<u>(3,023)</u>
Total Revenues	<u>196,910</u>	<u>195,074</u>	<u>208,787</u>	<u>13,713</u>

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2008**

<b>EXPENDITURES</b>	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
<b>Legislative:</b>				
Township Board:				
Salaries			3,114	
Professional Fees			3,330	
Dues and Subscriptions			937	
Printing and Publishing			627	
Miscellaneous			<u>3,855</u>	
Total Legislative	<u>11,102</u>	<u>11,114</u>	<u>11,863</u>	<u>(749)</u>
<b>General Government:</b>				
Supervisor:				
Salary			7,475	
Miscellaneous			<u>83</u>	
Total Supervisor	8,075	8,075	<u>7,558</u>	517
Elections:				
Wages			1,361	
Supplies			136	
Miscellaneous			<u>251</u>	
Total Elections	5,400	5,400	<u>1,748</u>	3,652
Assessor:				
Supplies			2,679	
Contracted Services			13,680	
Capital Outlay			<u>1,527</u>	
Total Assessor	9,718	9,518	<u>17,886</u>	(8,368)
Clerk:				
Salary			10,888	
Other Wages			158	
Supplies			986	
Miscellaneous			<u>350</u>	
Total Clerk	11,638	11,838	<u>12,382</u>	(544)
Board of Review:				
Per Diem and Fees			756	
Printing and Publishing			79	
Miscellaneous			<u>528</u>	
Total Board of Review	981	981	<u>1,363</u>	(382)

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2008**

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>General Government (Continued)</b>				
Treasurer:				
Salary			10,495	
Other Wages			197	
Supplies			1,412	
Miscellaneous			615	
Capital Outlay			1,420	
Total Treasurer	16,045	16,045	14,139	1,906
Township Hall:				
Contracted Services			480	
Operating Supplies			273	
Utilities			4,843	
Repairs and Maintenance			82	
Miscellaneous			350	
Total Township Hall	11,200	11,200	6,028	5,172
Total General Government	63,057	63,057	61,104	1,953
<b>Public Safety:</b>				
Planning and Zoning:				
Salaries			274	
Printing and Publishing			110	
Professional Fees			459	
Total Planning and Zoning	3,740	3,740	843	2,897
Total Public Safety	3,740	3,740	843	2,897
<b>Public Works:</b>				
Highways:				
Contracted Services			29,325	
Total Highways	30,000	30,000	29,325	675
Total Public Works	30,000	30,000	29,325	675

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2008**

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Health and Welfare:</b>				
Ambulance				
Salaries			30,687	
Supplies			3,029	
Contracted Services			10,798	
Telephone			142	
Insurance			1,459	
Repairs, Maintenance and Fuel			1,946	
Miscellaneous and Training			2,608	
Capital Outlay			2,031	
Total Ambulance	<u>69,654</u>	<u>68,067</u>	<u>52,700</u>	<u>15,367</u>
Total Health and Welfare	<u>69,654</u>	<u>68,067</u>	<u>52,700</u>	<u>15,367</u>
<b>Other:</b>				
Payroll Taxes			2,735	
Retirement			8,243	
Insurance and Bonds			6,878	
Total Other	<u>19,096</u>	<u>19,096</u>	<u>17,856</u>	<u>1,240</u>
Total Expenditures	<u>196,649</u>	<u>195,074</u>	<u>173,691</u>	<u>21,383</u>
Excess of Revenues Over Expenditures	261	-	35,096	35,096
Fund Balance-April 1, 2007	<u>242,788</u>	<u>242,788</u>	<u>242,788</u>	<u>-</u>
Fund Balance-March 31, 2008	<u>\$ 243,049</u>	<u>\$ 242,788</u>	<u>\$ 277,884</u>	<u>\$ 35,096</u>



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To the Township Board  
Vermontville Township  
Eaton County, Michigan

In planning and performing our audit of the financial statements of Vermontville Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Vermontville Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Township does not balance cash general ledger accounts to the Treasurer's reconciled statements on a monthly basis. One of the most important internal control procedures is for the Clerk and Treasurer to reconcile their books to the reconciled bank statements for all bank accounts maintained by the Treasurer. This step verifies that all the activity of the Township has been recorded in the Township general ledger. We recommended that the bank reconciliations be compared to the Clerk's general ledger on a monthly basis. Differences should be investigated in a timely manner. Adjustments should be made to the general ledger as necessary.
- The Township does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Township contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries.

This communication is intended solely for the information and use of management, the board of trustees of Vermontville Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI  
June 25, 2008

*Walker, Fluke & Sheldon, PLC*



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June 25, 2008

To the Township Board  
Vermontville Township  
Eaton County, Michigan

We have recently completed an audit of the financial statements of Vermontville Township, Eaton County, Michigan for the year ended March 31, 2008. During the course of the audit, the following items came to our attention, which requires further comment.

**Budgeting**

P.A. 621 of 1978, Section 17, provides that a local unit should amend the expenditures budget when it appears that the budgeted revenues will be less than anticipated expenditures. In addition, Section 18 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township over expended in several areas. The Township currently monitors the Township budgets and makes amendments periodically

It is our recommendation that expenditures be compared in relation to amounts appropriated on a monthly basis for the General and all Special Revenue Funds. If it is apparent that there will be a budget violation, the Township should amend the budget by indicating the dollar amounts and appropriations to be affected. Consideration should be taken at year-end for any known audit adjustments that may arise.

**Personal Use of Library Funds**

During the course of the audit, it was noted that employees had used library funds to purchase personal computers. Although funds were immediately reimbursed, there was one instance where the reimbursement was less than the cost of the computer. Per library policy, any item purchased with library funds is for official business of the library. It was also noted that employees used the library Wal-Mart credit card and did not pay back reimbursements in a timely manner. This causes difficulty separating personal expenses from actual library expenses.

It is our recommendation that Library adhere to the adopted credit card policy and only use library funds for official business of the library and the township board review credit card statements on a monthly basis.

**Payroll**

During the course of the audit, it was noted that certain payments to the library are being treated as both wages and contract services.

According to the Internal Revenue Service, people who perform services that the Township can control what will be done and how it will be done is generally an employee. If the Township provides the necessary tools or supplies, dictates the time and place of the work to be performed or supervises the work, the Township has control and there is an employer/employee relationship. In addition, employees are typically paid a salary or by the hour, while independent contractors are paid by the job. Typically, individuals should be treated as an employee or independent contractor, not both.

The Township should evaluate the duties of these people and determine the proper classification based on the Internal Revenue Code. Once, the proper classification has been determined the proper tax filings should be done on a quarterly or annual basis in accordance with IRS Regulations.

We would like to take this opportunity to thank the Vermontville Township Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

*Walker, Fluke & Sheldon, PLC*